The Entrepreneurial Intentions among the Undergraduates Involved in Business Administration and Entrepreneurship Courses in Sri Lanka

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Universities play a major role in producing entrepreneurs. Until recently, fostering innovations and new product development through entrepreneurship has not been regarded as a primary task of universities. Although the graduates are given the education on entrepreneurship, it is reported that they have less willingness to start their own business. Lack of entrepreneurial intentions among the undergraduates impact adversely for the economic development of the country as entrepreneurship is a major source of employment generation and economic development. Thus, scholars emphasize more on investigating the factors stimulating the interest of undergraduates to become an entrepreneur. On the above backdrop, present study was undertaken to understand the factors affecting the entrepreneurial intentions of the undergraduates involved in Business Administration and Entrepreneurship courses in Sri Lankan Universities.

Keywords: entrepreneurship, entrepreneurial, external factors intentions, personality factors

1. INTRODUCTION

Entrepreneurship has been viewed as a way of life and something which helps in the thinking process when overcoming threats and taking up challenges and opportunities (Tesfamariam, 2012). The significance of entrepreneurship stems from its imperative contribution to the national economy by increasing economic efficiencies, introducing innovations, creating new jobs and sustaining employment levels (Hindle and Rushworth, 2000; Shane and Venkataraman, 2000; Carree and Thurik, 2005; Praag and Versloot, 2007; Wu and Wu, 2008 as cited in Pretheeba, 2014).

The role of entrepreneurs in generation of new ideas, the subsequent conversion of these ideas to profitable businesses, the innovation of processes or methods and the generation of mass employment have attracted the scholars and policy makers (Turker and Selcuk, 2009).

Universities play a vital role in producing entrepreneurs. Studies which highlighted the importance of the significant impact of outstanding universities on new venture creation stated that, if the 4000 companies founded by MIT graduates and faculty, formed an independent nation, it would have the 24th largest economy in the world (Ayers, 1997; Franke and Luthje, 2004). In addition, the role of university alumni is also significant as it contributes to the job creation and growth (Dietrich, 1999; Richert and Schiller, 1994). Despite this importance until recently, fostering innovations and new product development through entrepreneurship has not been regarded as a primary task of universities (Franke and Luthje, 2004). Several universities have designed entrepreneurship education and training programs without establishing dedicated chairs (Kofner, Menges and Schmidt, 1999). In Sri Lanka, although the education system produces a large number of highly educated individual with academic skills, they do not provide skills that are needed to become an entrepreneur (Mayuran, 2017). Thus, unfortunately today the university system in Sri Lanka does not contribute by even producing five percent of entrepreneurs (Mayuran, 2017).

As much emphasis has not been given for entrepreneurial education at the university level, the undergraduates lack the entrepreneurial intention. In the global context it is reported that only few graduates tend to engage in entrepreneurial activities. Minks (1998) found that only 7% of graduates in Germany were self-employed four years after their graduation. Similar numbers were reported for Austria and Switzerland (Franke and Luthje, 2004). Not just in the global context, there is a less intention among undergraduates to be entrepreneurs compared to other employment in Sri Lanka (Jayaratna, Perera, Gunaratna, 2011; Mayuran, 2017).

Therefore, it is important to investigate why the undergraduates in Sri Lankan universities demonstrate less intentions to engage in entrepreneurial activities. Such a
study is significant as there is a lacuna in the extant literature which explains the reasons why young entrepreneurs, under the age of 25, decides to take up new ventures (Turker and Selcu, 2009; Gelaıdan and Abdullateef, 2017). Much of the existing literature on entrepreneurship focuses attention on adult entrepreneurs (Gelaıdan and Abdullateef, 2017). Further, studies which focus on adult entrepreneurs have ignored the fact that the future working environment will largely depend on the exuberance, agility, and creativity of the youth, so the need to study the reasons why these generations venture into entrepreneurship is highly necessary (Henderson and Robertson, 2000). Further, recent scholars emphasize the need for investigating what factors are stimulating the interest of people to become an entrepreneur (Gelaıdan and Abdullateef, 2017). In response to this the present paper investigates the entrepreneurial intentions of undergraduates to provide a better understanding of the factors influencing undergraduate’s entrepreneurial intentions. More specifically, this paper investigates the antecedents that may explain the entrepreneurial intentions based on extant literature, internal personality factors (i.e. willingness to take risks, need for independence, Locus of control) and external factors (i.e. relational support, educational support) integrated into a conceptual model.

2. Literature review

2.1 Entrepreneurial intentions

A long tradition of research is devoted to the question of why some people choose to be self-employed and start their own businesses and others are rather inclined to seek traditional wage or salary employment. A number of conceptual models structure the various factors that affect this process (e.g. Bygrave, 1989; Moore, 1986). Although not specifically developed for students, they might explain their entrepreneurial intentions as well as the intentions of any other population (Franke and Luthje, 2004).

Entrepreneurship is an intentional activity (Henle, 2007) and the single best predictor of entrepreneurial behavior (Mazzarol, Volery, Doss and Thein, 1999). Extant literature has asserted that intentions are an important consequence of planned behaviour (Ajzen, 1991; Krueger, 2002; Shook et al., 2003; Edelman et al., 2008). Entrepreneurial intention is a reflection of the state of the mind and prompts people to take up self-employment instead of being employed (Gerba, 2012; Karimi et al., 2016). This can be defined as the engagement in or the intention of an individual to start a new business (Dinis et al., 2013). Entrepreneurial intention also relates to the behaviour and commitment of the individual who is motivated or driven towards starting a new venture (Gerba, 2012). According to the previous studies students will not become entrepreneurs all of a sudden without certain triggers and most importantly, the intention (Krueger, Reily and Carstrup, 2000). The intention is formed at least a year in advance of the new venture creation (Henle, 2007). Further, noted that starting a business is not an event, but a process which may take many years to involve and come to an execution (Henle, 2007).

2.2 Factors affecting entrepreneurial intentions

Intention to start a business is driven from a propensity to act upon opportunities and from perceptions of desirability and feasibility (Mayuran, 2017). Several conceptual models of entrepreneurial intentions have been developed to identify the factors that have an impact on entrepreneurial intention of starting a new business (Bird, 1988; Davidsson, 1997 and Austio 1997; Bolton and Lane, 2012). Much of this literature has explored the reasons why students at universities and other higher institutions are taking up the challenges of entrepreneurship. Wang and Wong (2004) studied the entrepreneurship interest of Singaporean students based on their personal backgrounds and discovered that gender, education level and experience from a family business are the significant factors that explain entrepreneurship interest among the students (Gelaıdan and Abdullateef, 2017). Lee et al. (2005), in a cross-cultural research of four countries, found that young university students will go into entrepreneurship if each country can provide customized entrepreneurship education.

Most approaches which investigates entrepreneurial intentions distinguish between internal and external factors. The discussion of internal factors that might determine people’s career choices has been dominated by models that strive to identify stable personality traits and attitudes (Franke and Luthje, 2004). In studying entrepreneurship, therefore, previous studies have focused on personality (Sesen, 2013). Several studies investigated a number of personality traits, such as risk-taking propensity (Hisrich and Peters, 1995), the need for achievement (Johnson, 1990) and locus of control (Bonnett and Fuhrmann, 1991), as factors affecting people’s aspirations to start a company.

Extant literature has established a link between entrepreneurial intention and personality factors including self-confidence, risk taking, locus of control and achievement needs (Turker and Selcu, 2009). Further pointed out that self-confidence as a determinant of intention has been extensively discussed in other disciplines, with little focus from the business perspective (Bolton and Lane, 2012). Key findings from different schools of thought have clearly shown that self-confidence is a construct that determines students’ feelings of trust in their qualities, abilities and judgment (Koh, 1996). Recent studies investigated models focusing on personality traits integrating the concept of attitude. Attitude instruments have proven to account for a large part of variance in widely varied behavior (Ajzen and Maddon, 1966; Ajzen and Fishbein, 1980). Although these personal factors are empirically investigated, empirical research has revealed contradictory findings about the role of personal characteristics (Brockhaus, 1987; Robinson, Hefner and Hunt, 1991). Therefore, these personal factors; risk taking, locus of control and achievement needs are empirically investigated in the present paper in light of the Risk Taking theory (Marsh, 1890), Social Learning Theory of Personality (Rotter, 1954) and Theory of Achievement Motivation (Mccllland, 1960).

Several studies have investigated the external factors affecting the entrepreneurial intention (Gelaıdan and Abdullateef, 2017). Franke and Luthje (2004) examined social, economic and educational and contextual variables that may influence people’s willingness to become an entrepreneur (i.e. image of entrepreneurs in society, availability of funds). Certain studies identified educational support as an external factor influencing entrepreneurial intentions (Wilson et al., 2007; Gelaıdan and Abdullateef, 2017). Educational support is defined as a set of initiatives designed to improve national economic development through constant investment in quality education bolstered by an adequate number of teachers and relevant learning...
tools (Mwoma and Pillay, 2016; Lafuente et al., 2016). When appropriate entrepreneurship education is given, students who take these courses will tend to develop the required self-confidence to go into their own businesses during, before or after their higher institution programmes (Galloway and Brown, 2002; Gorman et al., 1997; Henderson and Robertson, 2000). Other studies have equally found that entrepreneurship education can enhance levels of self-efficacy and help the students to express further intentions to start their own ventures, increase their desire and inspire them to take up new challenges (Wilson et al., 2007).

In addition to the educational support, relational support is a crucial factor in developing entrepreneurial intention. Following conceptual framework has been developed based on the extant review of literature.

3. Methodology

Present study is governed by the positivistic research philosophy and follows quantitative method. Factors affecting entrepreneurial intentions of management graduates who specialize in Business Administration and Entrepreneurship was investigated to proceed towards a conclusion by adapting the survey strategy. Complying with the rule of thumb of Roscoe’s a sample size larger than 30 and fewer than 500 was considered appropriate in the present study. Therefore, 183 was determined as the sample size. The survey focuses on undergraduates of Business Administration and Entrepreneurship. Therefore, the unit of analysis selected in the present study is the individual. Following Gelaian and Abdullateef, (2017) systematic sampling technique was used to select the Business Administration and Entrepreneurship undergraduates who took entrepreneurship and small business courses.

The measurement instrument for this study is divided into two sections. First section measuring demographic factors and second section measuring other variables. The measures for the willingness to take risk, need for independence and locus of control the measurement were taken from a previously validated standard questionnaire used by Hisrich and Peters (1995), Franke and Luthje, (2004) and several authors. These were operationalized using the four items, three items and three items respectively. Educational support, Relational support and entrepreneurial intention were taken form (Linen and Chen, 2009; Turker and Seluck, 2009). These were operationalized using four items, two items and six items respectively. All continuous variables were measured using five point Likert scale (1= strongly disagree; 5= strongly agree).

4. Data analysis

The data was analysed by using the structural equation modeling approach to examine the model and test the hypothesised relationships with AMOS. Goodness of measures was performed to test the validity of measurement instruments, and a structural model was analysed to empirically establish the relationships between the constructs and test the model fit of the hypotheses. Construct validity, convergent validity and discriminant validity was assessed and assured in the present study to ensure the goodness of measures. Cronbach’s alpha for all the variables were between 0.713 and 0.908, exceeding the suggested value of 0.70 (Hair et al., 2010), thereby the reliability of the measures used were ensured.

5. Findings

Based on the results, 42.8% of the respondents were males while 57.2% were females. In terms of the age, all were under 26 years. Only 2.7% owned small businesses before joining university and majority did not own any business before they joined university. 98.3% of the respondents reported that they attended an entrepreneurship course.
The findings of this study revealed that some of the hypotheses have positive impact on the entrepreneurship intention while others are not supported. From the personality factors, Need for independence has a positive impact on entrepreneurial intention ($\beta = 0.262$, $p < 0.05$). Locus of control has a positive impact on entrepreneurial intention ($\beta = 0.463$, $p < 0.05$) while Willingness to take risk does not have any impact on entrepreneurial intention ($\beta = 0.013$, $p > 0.05$). From the external factors both educational support ($\beta = 0.154$, $p < 0.05$) and relational support ($\beta = 0.236$, $p < 0.01$) has a positive impact on entrepreneurial intention. With respect to the confirmed variables, however, the outcome has also revealed that Locus of control has the strongest effect on a student’s entrepreneurial intention.

This study confirmed the previous empirical findings of Gelaian and Abdulateef, (2017), Turkler and Seluck (2009) and Baughn et al. (2006), Franke and Luthje, (2004) except for the finding related to Willingness to take risk. It can be reasoned out based on the argument of several scholars. Its stated that the empirical research has revealed contradictory findings about the role of personal characteristics (Brockhaus, 1987; Robinson, Huefner and Hunt, 1991). Generally, these differences are explained by the fact that personality theories are intended for use across a broad spectrum of situations and therefore measure rather general tendencies which makes them lose their efficacy in any specific context. There seems to be an interactive process between personal characteristics and the environment in which people act (Herron and Sapienza, 1992; Naffziger et al., 1994). Risk-taking propensity, for instance, is likely to vary according to the entrepreneur’s specific environment (Franke and Luthje, 2004).

6. Implications and recommendation for future research

Entrepreneurship plays a major role in Sri Lanka’s economic development (Mayuran, 2017). Particularly, lack of entrepreneurial intentions has become a major cause for increasing unemployment in Sri Lanka (Mayuran, 2017). Since entrepreneurial activities of undergraduates play a key role in generating employment opportunities, the findings of the present study provide valuable insights for the policymakers in order to promote the entrepreneurial intentions among the undergraduates. Further, according to Gelaian and Abdulateef, (2017), this area of entrepreneurial intentions among the undergraduates is not sufficiently investigated. Thus, this study has important practical implications particularly for university administrators.

It was revealed that locus of control strongly impact on individual’s entrepreneurial intention. This implies the importance of having training programmes for undergraduates to build their locus of control. Through that they can be trained to build their self-confidence, face for the reality and trust on themselves. Further, the impact of educational support suggests that universities should incorporate more practical training programs particularly focused on developing entrepreneurs. Having specific degrees on entrepreneurship to teach and facilitate with the skills and competencies required to initiate and run a business would be vital. Particularly entrepreneurship education needs to be incorporated to the curriculum. Finally, the impact of relational support on entrepreneurial intention suggests that financial, emotional and physical support from the family and other networks plays a major role in promoting individual’s willingness to start businesses. Thus, it highlights the importance of providing the required skills for undergraduates to develop networking skills to attract such valuable support from their family and friends to initiate their venture.

Since this study investigated only the intention of entrepreneurship it is suggested for future researchers to investigate the actual behavior of starting new ventures. Further, the findings of the present study suggested that willingness to take risk does not have any impact on entrepreneurial intention of undergraduates. It is suggested for future researchers to investigate why there is no impact from willingness to take risk for entrepreneurial intention through a qualitative study.

7. Conclusion

The findings of the study shed lights on the factors affecting entrepreneurial intention of undergraduates. Accordingly, it can be concluded undergraduate’s decision to start a business in future is affected by personality factors such as locus of control, need for achievement and external factors such as educational and relational support. This paper suggests the need for rethinking why undergraduates do not consider their willingness to take risk when deciding whether to start a new business. The findings of this study are much significant as the entrepreneurial intentions among the undergraduates have not been sufficiently investigated, even though lack of entrepreneurial intention among undergraduates is a pertinent issue in Sri Lanka. This study has significant managerial implications particularly, for the university administrators in redesigning their curriculum and for the policy makers in the country to promote entrepreneurship among the undergraduates.

References


